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**Sub-Post Offices and High Street revitalisation: Lessons from the experience of
Grant Assistance to Sub-Post Offices in Deprived Urban Areas of the UK**

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Sub-Post Offices and High Street revitalisation: Lessons from the experience of Grant Assistance to Sub-Post Offices in Deprived Urban Areas of the UK

Abstract

Post Offices (POs) are essential service providers within deprived urban areas. This paper explores some lessons from the impact of grant assistance to sub-post offices (SPOs) in deprived urban areas of England and Scotland which are relevant to contemporary policy initiatives to revive high streets. Utilising longitudinal data to explore whether government grant assistance has made a difference in enabling the survival and development of assisted SPOs, it also considers their role in maintaining and developing shops and services in deprived urban neighbourhoods.

The inter-relationship of SPOs with their local economies and communities is explored, including external influences such as competition and complementarity and internal influences relating to the evolving role of SPOs in the early 21st century. A central theme is the apparent paradox between the UK Government's desire to maintain SPOs as essential service providers and catalysts for other 'high street' services within deprived urban areas, whilst opening their core services up to increasing levels of competition.

Key Words: Post Offices, Retail, High Street Services, Urban, Regeneration, Deprivation

Introduction and Context

This paper examines the impacts of the UK Government's former Deprived Urban Post Office Fund (DUPOF) and the Scottish Government's former Scottish Post Office Fund (SPOF) in sustaining and developing sub-post offices (SPOs)¹ in deprived urban areas, based on a longitudinal study of the performance of a sample of SPOs that received government assistance. In doing so, recognition needs to be made of the fundamental changes transforming the UK Post Office network over the last decade, driven by the development of the Internet and Broadband, privatisation of former public services and the drive for cost efficiencies, and the decline of inner city services including retailing and banking in favour of out of town retail and centralised banking (Postcomm 2007 and 2008). The 2000s saw a decline in SPOs from 19,000 to 11,500 (BIS, 2010) before more recent stability which has seen a further 25 urban UK SPO closures (Hough, 2014). However, the sale of Royal Mail in 2013 and continuing decline in SPO revenues have once again exposed the tension that exists within government between the economic and social justifications for the existence of post offices within local communities.

The wider value of UK post offices was recognised in the UK Coalition Government's report on securing the post office network in the digital age, which stated that; "There will be no programme of post office closures under this Government" (BIS, 2010 p.3) and a commitment of £1.34bn to modernise the network including the 'Post Office Local' initiative enabling SPOs to operate as small open plan counters within local convenience shops with extended opening hours. However, the partial privatisation of the Royal Mail,

¹ SPOs are defined as branch offices offering core postal services such as selling stamps and handling letter and parcel mail, but not reliant on mail sorting activities which are typically undertaken by larger centralised sorting offices. They are franchises, representing 97% of all PO branches (Hough, 2014).

the former mail delivery service arm of the Post Office, in the UK's largest public listing for over 20 years (valued at £3.3bn) in October 2013, has reignited concerns over the future of SPOs. Whilst the sale guaranteed Royal Mail's continued use of post offices for stamps and parcels for 10 years, there are real concerns over the declining income that SPOs receive from post office activities, with the value of government services revenue declining from £209m in 2009-10 to £164m by 2012-13 and the promised development of financial services² providing very uneven revenue in this period (Walne, 2013; Mackie, 2013; Post Office Ltd, 2014).

Previously, post offices were described by Lord Mandelson, former UK Secretary of State for the Department for Business Innovation and Skills (BIS), as providing a "...trusted brand, unrivalled network, experienced staff ... a real front office for Government" (BERR³, 23/03/2009). Postcomm (2008), the UK postal services commission, stated that SPOs provide a considerable range of government literature, notably on national identity, licence schemes and tax credit payments, as well as public utilities cash payment and universal cash and banking facilities, government savings instruments and a universal postal service. These are all services that Postwatch, the UK consumer 'watchdog' agency for postal services has described as "key services to local communities" (2006 p.5). "Historically, the work of the Sub-Postmaster (SPM) has been deemed more of a public service rather than a retail service" (Postwatch Counters Advisory Group, 2006 p.50) and it is in this context of the SPO as a focal point for local communities that recent and ongoing changes taking place in the UK SPO network need to be placed.

² These include personal and business insurances, banking, credit and mortgage services through Bank of Ireland UK, foreign exchange and mobile telephone top-ups.

³ The Department for Business, Enterprise and Regulatory Reform was renamed as BIS in June 2009

The broader context is also one of the decline in neighbourhood retailing, with the UK Department for Business Innovation and Skills (BIS, 2011) indicating a decline in consumer spend on the high street from 49.4% in 2000 to 42.5% in 2011. This is due to a combination of factors, including a 10% decline in footfall due to increasing internet and mobile commerce (De Kare-Silver (2011) and increasing competition from the growth of mega urban retail and entertainment centres such as Westfield at Stratford in East London (BIS, 2011). More generally out of town superstore retailing during the past decade has had a particularly adverse affect on deprived urban areas (Dibb, 2007; Simms et al. 2005; Guy, 2006; Wrigley et al., 2002), with shopkeepers also facing additional problems from rising levels of antisocial behaviour and crime. Thus, urban communities have experienced increasingly restricted access to goods and services at competitive prices (Guy et al. 2004; Wrigley, 2002; Donkin et al. 1999 and 2000).

In response, the Coalition Government commissioned the Portas Review in 2011 and subsequently set out a 'High Streets and Town Centres' policy (Department for Communities and Local Government (DCLG), 2012), leading to a £1 billion support package. Key elements of the package include 27 'Portas Pilots' (£100,000 each) for high streets, 392 'Town Teams' (£10,000 each), 100 local authorities receiving 'High Street Innovation' funding (£100,000), alongside Business Rate tax breaks (Marlow, 2012). These funds are largely strategic and aim to meet Portas's key recommendations to develop visionary strategies, to involve high streets in 'Neighbourhood Plans', to develop 'Business Improvement Districts', to let local people have their say and to engage with larger retailers to create accessible, attractive and safe high streets.

The Portas Pilots have led to a wide variety of initiatives, ranging from access and retail environment initiatives such as shop-front renovation grants, to retail business training, crowd sourcing community ideas and healthy food provision initiatives. The Portas Review period also saw the establishment of the London Mayor's £9 million 'High Street Fund' (2011-2016) which has invested in 42 London high streets, also involving shop grants, retail training schemes, creative industry work hubs and public space improvements.

However, these policies have been slow to establish and it remains unclear how a series of discrete local small-scale actions will form a coherent policy to improve high street services in deprived localities and harness the potential catalytic impact of existing small retailers such as SPOs. There are precedents for some of the Portas initiatives that involve financial incentives to small retail businesses from the Blair New Labour Government's policy for neighbourhood renewal which emphasised the importance of improving shopping access in deprived areas (Social Exclusion Unit, 2001). This highlighted the considerable benefits that thriving local shops can bring to their local communities, such as providing employment, new skills and training opportunities, as well as providing a range of quality goods, including fresh food at affordable prices.

Policy responses to the challenges facing Post Offices in deprived communities

Since 2000, the role of POs and, more specifically, SPOs in deprived urban areas has received considerable attention. The Performance and Innovation Unit (PIU) report (2000) argued that POs make a significant contribution to the communities which they serve by helping to tackle financial exclusion (Midgley, 2005) as well as performing a catalytic role in terms of reviving and supporting local retailing activity. SPOs often act as a focal point for the community, regularly providing support and advice, particularly to the

poorer and more vulnerable members of the local community. Whilst PIU presented a valid case for assisting POs in deprived urban areas, their density was typically greater than in more affluent urban areas, with too many branches competing for too little business. The report also revealed that many outlets were in poor condition and in need of investment, with many sub-postmasters keen to sell the business, but unable to find a purchaser. Other developments were also adversely affecting SPOs' viability, especially the switch towards payment of state benefits via bank transfer and direct debit, resulting in declining customer footfall from benefit claimant collection at SPOs. The study by NEF (2006), for example, estimated that the introduction of direct payment to customers' bank accounts would reduce the turnover of the post office network as a whole by £400 million per year. Therefore, the PIU Report identified that the main challenge facing the Post Office was how to transform these struggling local stores into vibrant local enterprises.

The resultant Urban Network Reinvention Programme (UNRP) and the Deprived Urban Post Office Fund (DUPOF) formed a co-ordinated government response to the PIU's recommendations (CEEDR, 2005). The UNRP restructured the PO network by closing, relocating and modernising certain branches, including combining POs with existing successful retail businesses, with the aim of achieving a commercially viable network in urban areas. A total of £210 million was earmarked for this government programme, £180 million of which was aimed at compensating sub-postmasters relinquishing the PO side of their business, with £30 million being available to fund improvements in remaining SPOs. The UNRP began in November 2002 and resulted in the closure of about a third (2,486) of post office branches in urban areas (NEF, 2006). However, in recognition of the key role that SPOs can play in neighbourhood renewal, Post Office Limited made a commitment not to close any offices in deprived urban areas as long as there were no other branches within half a mile (CEEDR, 2005).

The DUPOF was therefore created in order to contribute to the regeneration and renewal of deprived urban areas in England by improving and sustaining SPOs that would be at risk of closure due to limited commercial viability or security risks (Postcomm, 2003). Launched in December 2002, the £15 million Fund was administered by the Labour Government's Neighbourhood Renewal Unit and provided grants of up to £50,000 to sub-postmasters in England to modernise their branches through investing in new retail facilities, shop alterations, and improved security. It was aimed at reducing the risk of closure of those branches in the 10 per cent most deprived urban areas which had not been designated for closure as part of the UNRP.

Successful applicants had to demonstrate that their branches would be at risk of closure within two years and that grant funding would have a significant beneficial impact on the viability of the business within two years. Sub-postmasters were required to first seek advice from a business advisor through the National Federation of Sub-Postmasters. This advice was free to all sub-postmasters and was funded by the government's Phoenix Fund for assisting enterprise in deprived areas. This assistance was important, given the growing need for small business survival strategies within the increasingly competitive urban retail market (Ram and Jones, 1998).

This paper also examines the parallel £2 million Scottish Post Office Fund (SPOF), launched by the Scottish Government through Communities Scotland in April 2003, which shared many of the aims and features of the DUPOF. The main difference was that funds were restricted to non PO service development, with no ties into UK government matching grant funds for PO service improvements. Another crucial difference was the provision of business advice to sub-postmasters, which came via the

Local Enterprise Councils (LEC) Business Gateway (BG) advisor service, which had no specialist focus on retailing. Subsequently, Communities Scotland funded retail specialist BG advisor training for sub-postmasters reflecting the fact that as employees of Post Office Limited they typically had little or no retail and entrepreneurial experience (CEEDR 2006).

The remainder of this paper examines the extent to which there have been lasting impacts on assisted SPOs and their local economies and communities by drawing on two studies conducted to evaluate the DUPOF and SPOF and follow-up research to strengthen the longitudinal element of the evidence base. In conclusion we consider the lessons from these findings and their relevance for current attempts to revitalise high streets in deprived urban neighbourhoods.

Methodology

The survey work on which this paper is based was undertaken in two distinct stages. The first stage comprised interviews that were conducted with sub-postmasters six to twelve months after the completion of the DUPOF/SPOF grant work aimed at improving the prospects of SPOs. In the case of DUPOF, a sample of 51 English assisted SPOs were interviewed (using a combination of face-to-face and telephone interviews) during the spring of 2005. A parallel telephone survey was undertaken with a sample of 20 Scottish SPOF assisted SPOs in the summer of 2006. In total, therefore, the first stage data set comprises 71 SPOs for which we have data relating to their business performance and other impacts over a six to twelve month period following completion of the grant work.

The second stage consisted of re-interviewing SPOs taking part in the first stage of the survey in order to assess the longer term effects of the grant assistance on their business performance and wider local economic impacts. A total of 50 assisted SPOs were re-surveyed in the autumn of 2008 comprising 33 English SPOs that had been in receipt of DUPOF and 17 Scottish SPOs in receipt of SPOF. These telephone interviews all took place at least two years after grant work completion.

Overall, as Table 1 indicates, the second stage re-survey represents more than one eighth (13 per cent) of assisted SPOs in England and Scotland. Table 1 also indicates that the closure rate of assisted SPOs has been proportionally around twice the level in England (20 per cent) as in Scotland (10 per cent). Although the survey numbers are not large enough to accord any level of statistical significance, even allowing for the fact that the Scottish SPOs were assisted up to two years after their English counterparts, the better survival rate in Scotland would seem to indicate the value of providing ongoing specialist assistance to sub-postmasters via the mainstream business advisor/training support services provided by Business Gateway in Scotland, as compared to the absence of any such ongoing support in the case of the DUPOF in England.

Table 1 about here

Overview of Grant Activity

A desk-based analysis of all DUPOF and SPOF applications (Table 2) revealed that almost £16 million of grant funds were allocated across Scotland and the English regions, assisting a total of 375 SPOs. The average grant size was just below £43,000, typically representing just over four fifths of the total project cost. Table 2 also shows that

grants were particularly concentrated within the North West and Yorkshire and Humberside regions, representing more than half of all assisted SPOs and receiving more than half of all funding (53.6 per cent). This reflects the heavy concentration of the most deprived neighbourhoods within these English regions. It is also notable that SPOF provided an average grant allocation that was almost one fifth lower than the DUPOF average. This in part reflected a desire to spread the SPOF funding amongst a greater number of Scottish SPOs in relative terms. The 71 SPOs that took part in the first round of interviews were typical of the 375 applications overall, being broadly representative in terms of geographical spread and overall average funding received.

Table 2 about here

The desk-based analysis of DUPOF and SPOF applications (Table 3) also indicated that shop refurbishment was the main focus of grant activity, relating to almost all assisted SPOs (94 per cent) and representing nearly three-fifths (57 per cent) of all grant expenditure. Security improvements, relating to shutters, alarms and CCTV were undertaken in four-fifths of assisted SPOs and represented just over 10 per cent of grant expenditure, whilst new retail facilities (e.g. food chillers/freezers, drinks cabinets and specialist retail display units) and PO counter upgrades each accounted for nearly two-fifths of assisted SPOs and around 10 per cent of grant expenditure. 'Other' changes took place in more than three-fifths of assisted SPOs, representing more than 10 per cent of total grant expenditure and typically related to shopfront improvements and access issues, such as the introduction of automatic doors and ramps for disabled access.

Table 3 about here

Further detail on what the sample of 71 assisted SPOs had used the grant assistance for was provided by the first stage survey, with the vast majority (80 per cent) having introduced new or expanded retail or related services, and one fifth introducing services that were 'completely new' in order to diversify their businesses. The main retail services developed were: cards and stationery, newspapers and magazines, confectionary and soft drinks, groceries, chilled and frozen foods. New services included: off-licences, pharmacies, hardware/DIY, pet food, health food, copier/fax/e-mail, a bakery, a photobooth and a tanning studio. Not all SPOs used their grant to expand or diversify the retail side of their business since a fifth of assisted SPOs utilised their grant entirely for refurbishment and service development relating to the core PO activities (these being English SPOs since as noted above Scottish SPOs could only use the grant for the non PO side of the business).

The extent of the changes that took place with the aid of the DUPOF and SPOF grants varied considerably. In most cases, grant work was focused on refurbishing existing premises, which in some cases were quite restricted in their potential retail space thus limiting opportunities for business diversification. Conversely, in a small minority of cases, grant work had facilitated relocations to larger, purpose built retail outlets in better locations, or extensions to existing premises, such as through the acquisition of neighbouring shop premises.

The relationship between the range and types of services introduced by grant assistance and their relevance to the local economic catchment area are crucial factors in measuring the performance of assisted SPOs and assessing the impact of grants. The

paper now explores these issues, focusing on the findings of the first and second stage surveys and making use of case study examples, where appropriate.

Business Performance

Initial improvements in the business performance of the assisted SPOs have dissipated over time. Figure 1 demonstrates that the proportion of interviewed sub-post masters indicating overall sales turnover growth following the grant work fell from 62 per cent after six to twelve months (i.e. stage 1) to less than half (48 per cent) after two years (i.e. stage 2). This applied to both the retail and core post office sides of the business, although almost two thirds had still experienced a growth in their retail sales after two years compared with just a quarter with regards to their PO sales. Thus the proportion of SPOs indicating growth in retail fell from 85 per cent to 64 per cent whereas those indicating growth in core post office sales fell from 32 per cent to 24 per cent. In fact, in a third of SPOs overall sales had sunk down to pre-grant levels just two years after receiving the grant, as reflected in their worsening profitability. Whilst the proportion indicating increased profitability after grant work fell only slightly from 45 per cent at stage 1 to 42 per cent at stage 2, the proportion indicating declining profits rose from almost a quarter (24 per cent) to almost one third (30 per cent).

Figure 1 about here

Further analysis of the changes in sales turnover following the grant applications (Figure 2) showed that whereas a higher proportion of SPOs experienced increased business with commercial customers compared to domestic customers during the first year, a similar proportion (just under 40 per cent) identified increased sales from each customer type over the longer period. However, a higher proportion of SPOs considered that their

sales from domestic customers had decreased over the longer period than was the case with commercial customers (36 per cent compared to 28 per cent).

These trends in sales performance since the completion of the grant assisted improvements to the SPOs reflected the interplay of various internal and external factors. For example, internal factors relating to core PO improvements mainly impacted on commercial sales growth, typically relating to better counter organisation, queuing systems and commercial banking services. Yet the impact of these improvements, for example in relation to business priority queuing, declined over time. A commonly reported external factor was the increase in demand for the postage of goods that had been sold over the Internet at some SPOs.

Factors relating to PO policy played an important role in the performance of domestic sales, most notably with regard to the decline in domestic core PO sales. This was primarily due to the reduction of core PO services through the introduction of direct benefit payments, which had a negative impact on all assisted SPOs and also the loss of the national television licence franchise. Interviewed sub-postmasters also noted that new PO core services, such as financial services relating to foreign currency exchange and insurances, had not been attractive to customers in deprived urban areas, although some mentioned that improved personal banking services and the introduction of ATMs had been particularly attractive. Internal factors also impacted on domestic sales performance, through the selection of retail/diversification activities undertaken with grant assistance. Some sub-postmasters expressed regret at their choice of diversification strategy, or that they were too restricted by the size of their premises, whereas others had been highly successful in developing niche services that had proven to be popular, including chilled food, a bakery and a tanning studio.

External factors relating to the local context had a particularly marked impact on the sales performance of some SPOs. Thus core PO sales improved dramatically in some cases where customers transferred from other local PO closures (as for example, where a neighbouring post office had been closed under the 'Urban Network Reinvention Programme'). Nearby regeneration initiatives, such as investments in new housing and improved transport infrastructure, also contributed to improved sales performance in some cases. Conversely, the most frequently mentioned local external factor adversely affecting domestic sales related to increased competition, particularly from local supermarkets. In several cases, increased competition had occurred through new supermarket developments that had taken place after the grant work was completed.

Figure 2 about here

The Relationship between Core PO and Diversification Services

The overall picture indicated that, whilst some SPOs managed to use grants to improve and/or successfully diversify their business, for others the refurbishment or diversification activity was unable to compensate for their loss in core PO trade. Several sub-postmasters remarked on the difficulties in generating new business to compensate for the loss in footfall from the reduction in core PO services.

Table 4 about here

Table 4 explores the relationship between core PO and retail/diversification services, using data from the second round of interviews. It reveals the following three distinct groups of SPOs, each of which is illustrated by a case example:

Group 1: 11 SPOs (22 per cent of the total) experienced an increase in both PO and retail sales turnover, this being largely attributed to a combination of local PO closures and the grant improvements.

Case 1: A North West region SPO received a £50,000 DUPOF grant, supported by £20,000 of personal investment for relocation, from a small one counter SPO selling cards and stationery, to a purpose built newly refurbished medium-sized retail outlet, with three PO counters and ample retail space for a mini-market. The new location benefited from adjacent car parking and bus stop and central location within a modern parade of shops. Despite increasing competition from nearby supermarkets, retail trade was thriving and core PO trade had increased, partly as a result of the closure of another SPO within half a mile. Employment had trebled from three staff to nine, including six full-time staff. The sub-postmaster stated that:

“The grant came at just the right time. It saved us, as the old dilapidated Post Office was tiny and unsustainable. Business is now flourishing in our bright shiny new shop. The retail side makes more in a week than it used to in a year. Our customers tell us they are delighted at the change and we are proud of our new shop.”

Group 2: 12 SPOs (24 per cent of the total) that had experienced a decrease in PO sales on the one hand, but an increase in retail sales on the other. In only four of these cases did the growth in retail sales more than compensate for the decline in PO sales, resulting in an overall increase in sales turnover, whereas three cases experienced an overall decline in sales turnover and five experienced no overall change.

Case 2: A North East region SPO that had used a grant of £35,000 for security improvements, shop refurbishment and, the main focus of the grant work, to establish a new tanning studio. The latter proved to be a highly successful niche business targeting quite different customers to those that used the traditional PO services. Overall, this SPO experienced declining core PO trade, with the success of the tanning studio compensating for this and leading to a slight improvement in profitability and the addition of a part-time member of staff. There have been no local SPO closures. The sub-postmaster commented:

“The tanning studio has been very successful. Without it, I don’t know if we would have survived.”

Group 3: 10 SPOs (20 per cent of the total) which experienced declining retail sales as well as declining PO sales. In these cases, the grant improvements were unable to stem the overall decline in sales turnover.

Case 3: A Scottish SPO receiving a £50,000 grant, supported by £20,000 personal investment to undertake access and shop refurbishment work, leading to expanded retailing activity, including the introduction of groceries and niche health foods. There were no local SPO closures, but there was a considerable increase in local retail competition, particularly from a new supermarket. This led to declining retail sales alongside declining core PO sales, resulting in an overall reduction in sales and profits to below the pre grant level. The sub-postmaster remarked:

“Initially, the grant work was quite successful and we saw an increase in retail sales, but then we got a large supermarket development nearby, which we had no idea was going to happen. This situation has been made worse by the supermarket providing a courtesy

bus service, which is taking our customers away. In hindsight, if we had known about the local supermarket development, I don't see how we could have justified the grant work."

These case studies highlight how the combination of contextual factors and the choices made by SPOs (with advisory input) have affected the relative success or failure of the grant activities. The main reason given by sub-postmasters in the second and third groups for the consistent decrease in core PO sales was the loss of trade due to the change to benefits payments, which was further exacerbated by the subsequent loss of television license sales and the failure of new core PO services, such as foreign currency and insurances, to attract new customers. Sub-postmasters mainly attributed the decline in retail sales to increased competition from larger retailers, exacerbated by the limited scope for retail development in smaller SPOs and poor decisions regarding the selection of diversification activities. The changing dynamics in the local environment, such as new housing estate developments and improved transport links, also played important roles. The interrelationship of grant work with the local economy is investigated further in the following sections.

Level of Competition

In order to contextualise the SPOs' performance in relation to their locality, the interviewed sub-postmasters were asked in the second round survey to assess the change in the level of local competition since undertaking the grant work, in terms of other local POs and rival service providers based within an approximate one mile radius.

Relatively little increase in competition from other local POs was recorded, whereas nearly a third of sub-postmasters considered that there had been a decrease in competition for post office services due to the closure of other local POs. On the other

hand, almost half (48 per cent) of sub-postmasters indicated that the level of local competition from rival service providers had increased. In many cases, there was increased competition from large superstore retailers that were opening long hours, heavily discounting their prices and continuing to expand their services and encroaching upon niche services provided by local SPOs. In some cases the level of retail competition had increased since the grant work because of new superstore developments, which were not foreseen, whilst in other examples competition had increased because the superstores and larger local retailers had increased their range of products and discounted prices.

Employment Impacts

Generating and safeguarding local jobs can be an important positive outcome of small business grant support projects, particularly if jobs which are totally new to the local economy were created. Figure 3 indicates that, initially over the six to twelve months following completion of the grant aided improvements, there was an overall 23 per cent (76 jobs) increase in employment in the 71 surveyed SPOs, mainly due to a 30 per cent (56 jobs) increase in part-time jobs. These jobs were predominately new to the local economy (i.e. not job transfers), being taken up by local people living within a two mile radius of their place of work.

After two years, however, a different picture emerged, with the 50 SPOs interviewed in the second stage exhibiting an overall net decrease in employment of 12 per cent (34 fewer jobs), mainly due to a reduction in full-time employment of 19 per cent (22 fewer jobs) compared to the period immediately prior to the grant work. Whilst this reflects an increase in the proportion of part-time, flexible staffing, it was also indicative of the underlying difficulties facing these SPOs. However, since all of these SPOs were judged

to have been at risk at the time of the grant work, the remaining jobs in the assisted SPOs (241 jobs in the 50 interviewed SPOs) can be viewed as having been safeguarded as a result of the improvements.

Figure 3 about here

Local Impacts

Our analysis of local impacts that can be attributed to the improvements reveals the potential catalytic role that SPOs can have in raising footfall and regenerating local high streets. During the first survey, the 71 interviewed sub-postmasters were asked for their appraisal of the impacts of the grant assistance on the local economies and communities in which they were located. These questions were designed to probe on the extent to which grant assistance was perceived as having contributed positive impacts for the local economy (defined as local businesses within a one mile radius).

The vast majority of assisted SPOs (80 per cent) had undertaken security work, including the introduction of CCTV, alarms and shutters, and almost all refurbishments had involved improved lighting, which sub-postmasters typically suggested "...improved customers' perceptions of the SPO and its surrounds as a safer environment." These anecdotal, qualitative, assessments were supported by nearly three-fifths of sub-postmasters who felt that the risk of local crime and vandalism had declined as a direct result of grant work.

Nearly half (48 per cent) indicated at the time of the first survey that local customer numbers had increased as a result of the grant work, suggesting that the improvements to the SPO could also lead to increased trade for other local shops and services. Furthermore, nearly three-quarters (74 per cent) indicated that grant work had led to new and improved complementary services locally, again suggesting that the positive effects of grant assistance were likely to outweigh potentially negative impacts from service duplication. Only one fifth (21 per cent) of the sub-postmasters considered that their local competitors were likely to have suffered from declining trade as a result of the grant assistance.

Table 5 about here

Overview of the experience of the DUPOF/SPOF support

Overall, there was widespread satisfaction amongst those sub-postmasters interviewed two years after receiving the DUPOF/SPOF grants, with two-thirds indicating that their business was in reasonable shape and the vast majority stating that the grant had been “excellent, timely and beneficial.” Only two indicated that their SPOs had been threatened with closure since undertaking grant work. In one case this was attributed to increased supermarket competition, and in the other to poor choice of diversification strategy, with the new grocery business failing to attract sufficient customers.

Despite the reported overall satisfaction with the DUPOF/SPOF, six respondents (12 per cent) indicated that their SPOs still faced an imminent threat of closure, i.e. within the next year, this being in the main related to the failure of retail/service diversification to compensate for declining core PO sales. Moreover, one third of sub-postmasters specifically mentioned the Government’s decision to retain the Post Office Card Account (POCA⁴) to 2015, subsequently extended to 2021, as being particularly important for the ongoing viability of their business. This would seem to provide further strong support to the policy case for a viable and thriving SPO network in urban deprived areas that is able to foster and develop core PO services that meet the needs of these poorer and frequently less mobile communities.

⁴ POCA is used by 2.5 million customers, including 1.3 million pensioners, and provides a key financial service for many benefit claimants who do not have bank accounts (DWP, 2008; DWP and BIS, 2014).

Conclusions

This paper contributes to understanding of the potential of grant assisted SPOs as local economic catalysts by examining how improvements in their performance is also dependent on a combination of internal and external factors. The overall survival of a large proportion of these SPOs is testament, at least in part, to the financial assistance that they received from the DUPOF/SUPOF grant schemes enabling them to modernise and diversify their services. However, it is evident from this longitudinal study of assisted SPOs that they exhibited variable performance with a substantial proportion struggling to maintain the retail sales levels necessary to compensate for the decline in PO core business and a small minority of them still facing the threat of closure. Whilst it is acknowledged that some negative external factors may be difficult to forecast and counter (e.g. new supermarket retail outlets), this paper has also demonstrated that appropriately targeted and supported grant work can offer new possibilities for SPO survival and growth, as well as positively impacting upon those neighbouring retail businesses that are not in direct competition. There are a number of key lessons from this study which, while primarily specific to SPOs, could also provide useful guidance to developing and delivering more effective solutions to 'High Street' regeneration in the light of the Portas Review (2011), particularly those aimed at revitalising small, independent retail businesses.

First, the study has drawn attention to the importance of specialist advice, particularly retail advice, to assist with the planning of changes and making the most effective use of funding assistance. Most sub-postmasters had little experience of retailing and benefited considerably from key information regarding the selection and development of retail services and advice on shop layout and display, particularly as shopfloor space was often at a premium.

Second, there is a need to provide on-going specialist retail and business advice to sub-postmasters. The apparent higher survival rate found amongst the Scottish SPOs indicates that sub-postmasters can benefit from further training and advice after grant work completion, helping them to implement product and service adjustments and to adopt improvements to how they approach sales and marketing. This ongoing advice from mainstream services such as Business Gateway in Scotland can form a useful additional line of assistance in adjusting to the impact of competition from larger retail supplier chains.

Third, the evidence supports that, despite the dominance of large retail chains, there are considerable opportunities for the introduction of niche local services, but that careful market research is needed to assess and inform the potential for such diversification. In this respect some of the most successful cases were in England, where retail advisors assisted some novel and highly successful diversifications, including bakeries, pharmacies, chilled and fresh foods and even a tanning studio.

And fourth, it is clear that SPOs can play a vital role within their local economies and communities, as focal points for local people to meet, receive government information and essential services including banking and finance, as well as postal services. The evidence of this and other research shows that SPOs can be effective catalysts to independent high street shops and other service development, by attracting customers and providing vital free ATM cash dispensing services. In some respects this is borne out by recent trends for SPOs to become small counter services within convenience stores and inner-city supermarket chains. However, there is a danger that the loss of

SPO identity and range of services could detract from their catalytic impact on small high street traders and complementary service providers.

Most importantly, this research demonstrates that the future of many SPOs remains strongly tied to the maintenance and development of core PO services such as the POCA. In some areas, direct intervention is being taken to save and revitalise SPOs, as for example policy developments by the Welsh Assembly and Essex County Council to involve SPOs in local authority service activities (e.g. council tax, rents and mortgages, social services, community messages and consultation services) (Postcomm, 2008). If the UK government wishes to maintain a viable network of SPOs in deprived urban areas, it will need to ensure that it has a coordinated plan that supports and facilitates core PO service developments. The UK Government's announcement (Gov.UK 13/11/2012) of a seven year contract to 2020 for POs to offer a full range of services for the Driver Vehicle Licensing Authority (DVLA) on the back of the previous contract to issue photographic driving licences is a step in the right direction. Moreover, the credit crunch and the associated banking crisis have led to renewed demands for the establishment of Post Banks (as there are more SPOs than the 10,000 High Street bank branches in the UK⁵) capable of providing a range of financial services to local communities, focused primarily on the financially excluded and the most vulnerable and least mobile social groups (McFadden, 2009). This has so far been resisted by government but, if adopted, could give a vital lifeline to SPOs in Britain's deprived urban areas and help breath new life into the High Streets.

⁵ BIS (2010)

Acknowledgements

The authors acknowledge the funding support of the UK and Scottish Governments in undertaking their research. They would like to thank the various reviewers of this paper for their invaluable input. The views expressed are only those of the authors.

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Table 1: Sample Frame – Survey Completions and Survival Rates

Status	England	Scotland	Total
Total Assisted	339	36	375
Stage 1:Survey	51 (15%)	20 (56%)	71 (19%)
*Closed	10 (20%)	2 (10%)	12 (17%)
*Refused/unavailable	8 (16%)	1 (5%)	9 (13%)
Stage 2: Re-Surveyed	33 (10%)	17 (47%)	50 (13%)

Note: Figures in Parenthesis are proportions of total assisted firms for each column

* Figures in Parenthesis are proportions of 1st Survey for each column

Table 2: Funding awarded to successful applicants by region and country

Region	POs awarded by region		Allocation of funding per region		Average funding per applicant
	N	%	£	%	£
East Midlands	16	4.3	736,506	4.6	46,032
East of England	6	1.6	273,143	1.7	45,524
London	20	5.3	719,618	4.5	35,981
North East	49	13.0	2,185,146	13.7	44,595
North West	106	28.3	4,502,529	28.2	42,477
South East	6	1.6	196,988	1.2	32,831
South West	4	1.1	147,001	0.9	36,750
West Midlands	44	11.7	1,866,836	11.7	42,428
Yorkshire & Humber	88	23.4	4,068,194	25.4	46,229
England Total	339	90.4	14,695,961	91.9	43,351
Scotland	36	9.6	1,288,559	8.1	35,793
Overall Total	375	100	15,984,520	100	42,625

Table 3: Amount of grant by type of changes proposed for successful applicants in England (n=339) and Scotland (n=36)

	Applicants proposing a change		Amount awarded (n=375)		
	N	% of cases	Total	Mean	% of fund spent on each item
			(£)	(£)	
Security	303	80.7	1,829,462	6,038	11.5
Shop refurbishment	354	94.2	9,114,681	25,748	57.1
New retail facility	144	38.3	1,551,967	10,777	9.7
Advertising	39	10.4	46,287	1,187	0.3
Provision of IT facilities	39	10.4	230,116	5,900	1.4
Upgrade of PO counter	142	37.8	1,270,121	8,944	12.6
Professional fees	73	19.4	126,428	1,732	0.8
Other	234	62.2	1,815,456	7,758	11.4
Total	n=375	100	15,984,520	42,625	100

Table 4: Changes in Retail and Post Office sales turnover since grant alterations (2nd stage survey)

		Post Office Sales			
		Increase	Stable	Decrease	Total
Retail Sales	Increase	11	9	12	32 (64%)
	Stable	1	3	3	7 (14%)
	Decrease	0	1	10	11 (22%)
	Total	12 (24%)	13 (26%)	25 (50%)	50 (100%)

Table 5: Summary of sub-postmaster assessment of the local impacts of grant funding (1st survey n=71)

Local Impact Type:	Increased	No change	Decreased
Risk of crime and vandalism	4%	39%	57%
Change in local customer numbers	48%	52%	-
Competitors' level of trade	-	79%	21%
Complementary/new/improved goods supplied locally	74%	26%	-

Figure 1: Business performance change

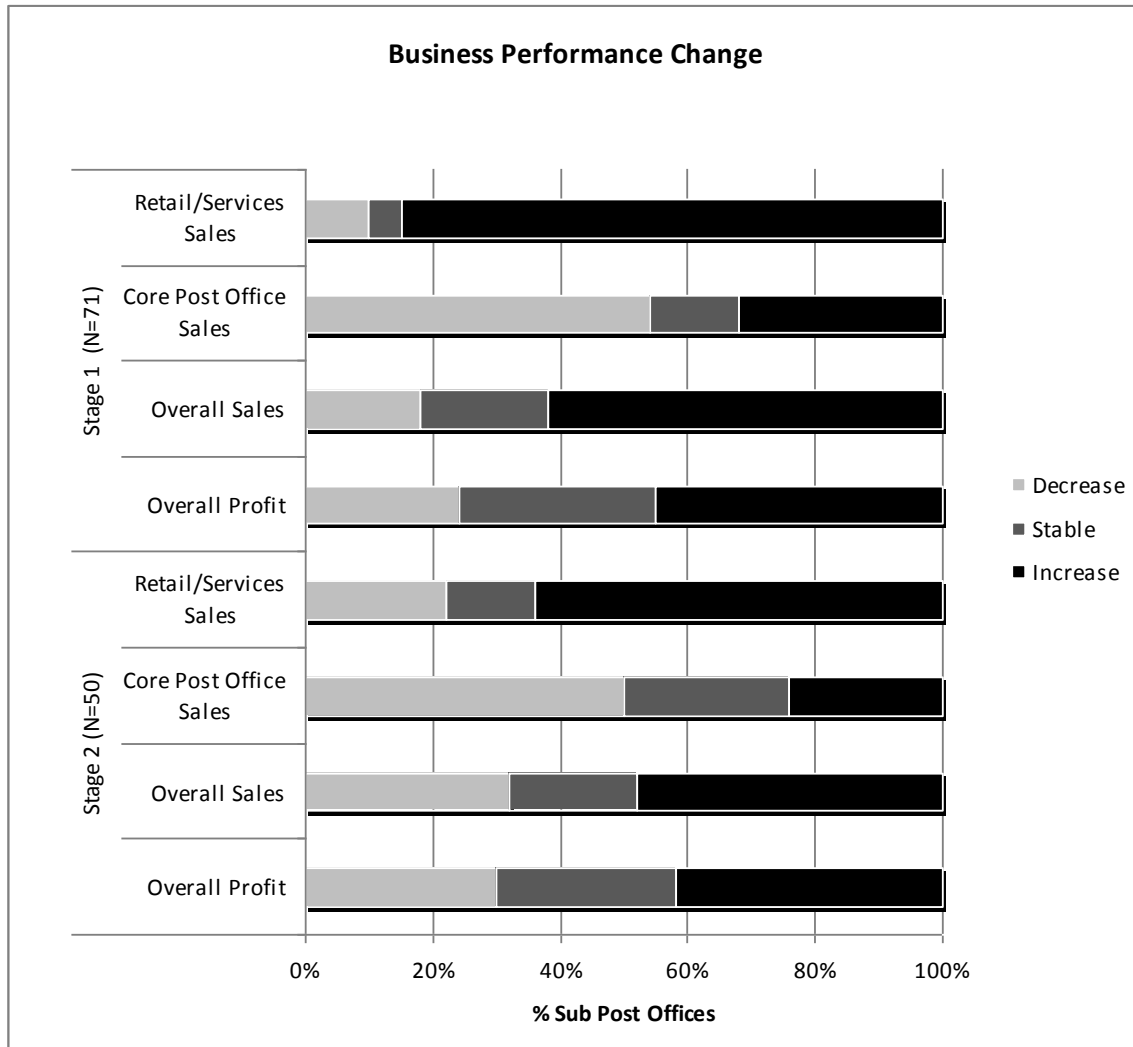


Figure 2: Changes in sales turnover

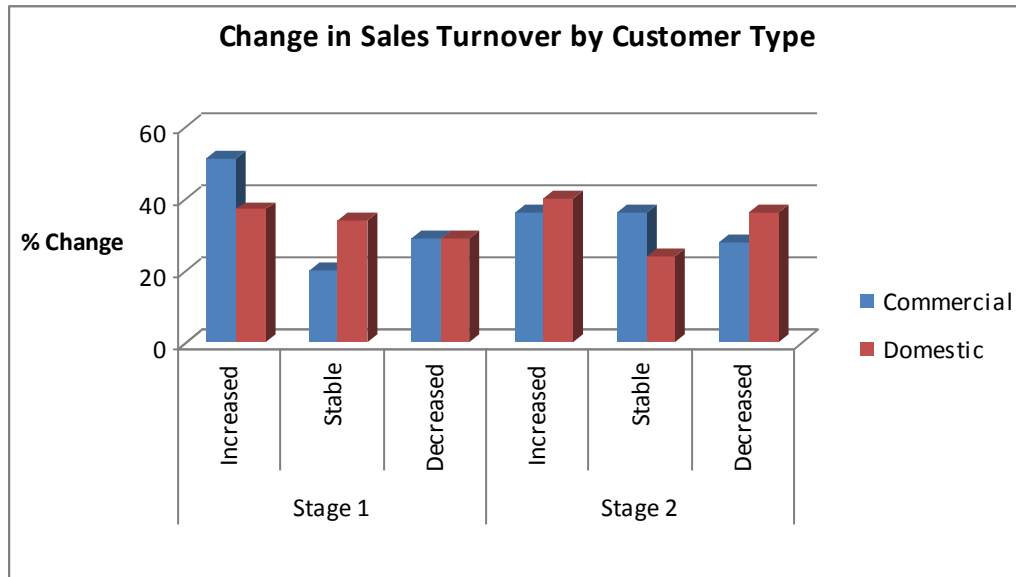
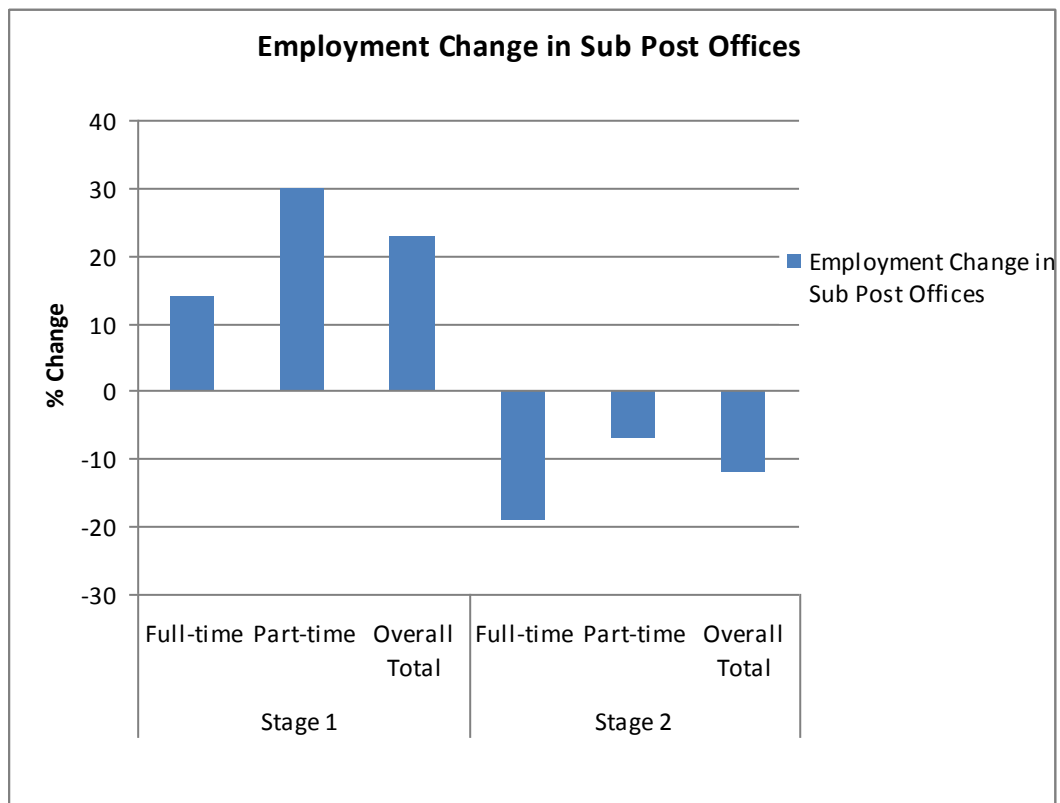


Figure 3: Employment change



Note: Part-time work is classified as less than 30 hours per week.